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TELEGRAM

May 25, 2003

To: No Action Addressee
Action: Unknown
From: AMEMBASSY ABU DHABI (ABU DHABI 2455 - ROUTINE)
TAGS: PREL, ETRD, KIPR
Captions: None
Subject: UAE: POST RESPONSE ON MIDDLE EAST TRADE INITIATIVE
Ref: None

C O N F I D E N T I A L ABU DHABI 02455

SIPDIS
CXABU:
ACTION: ECON
INFO: POL P/M AMB DCM
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INFO: FCS

DISSEMINATION: ECON
CHARGE: PROG

APPROVED: CDA:RALBRIGHT
DRAFTED: ECON:CMCRUMPLER
CLEARED: A/DCM:TWILLIAMS

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FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC 0054
INFO RUEHGV/USMISSION GENEVA 0523
RUEHZM/GCC COLLECTIVE
RUCNWTO/WORLD TRADE ORGANIZATION COLLECTIVE
RUCPDO/USDOC WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 ABU DHABI 002455

SIPDIS

STATE FOR NEA/ARP, NEA/PPR AND EB/TPP/MTA/IPC
STATE PASS USTR -- DOUG BELL
USDOC FOR USPTO
USDOC FOR 4250/DOC/MAC/ONE/CLOUSTAUNAU
GENEVA PASS USTR

E.O. 12958: DECL: 05/25/2008
TAGS: [PREL](#) [KIPR](#) [ETRD](#) [TC](#)
SUBJECT: UAE: POST RESPONSE ON MIDDLE EAST TRADE INITIATIVE
REF: STATE 135263

[1](#)1. (U) Classified by Charge d'Affaires Richard A. Albright
for reasons 1.5 (b) and (d).

[1](#)2. (C) Summary and comment: The UAEG will welcome the
Middle East Trade Initiative (METI) and its comprehensive
efforts to encourage economic reform and enhance economic
growth in the region -- particularly if METI is defined in

unambiguously non-political terms. The UAE sees itself as a model of economic prosperity and diversity for other Arab countries, and will likely view the Initiative more as a mechanism to enhance economic reform elsewhere in the region. Post recommends that any approach to the UAE regarding the Middle East Trade Initiative focus on areas where we can reinforce the already strong bilateral economic relationship, and refrain from suggesting that our goal is to reform the UAE economy. The GCC -- the only existing free trade area in the Middle East -- is a ready vehicle through which the USG could approach the Gulf countries on the Middle East Trade Initiative. The countries of the GCC face similar economic problems -- which vary significantly from the economic challenges of other countries in the Middle East -- and the GCC offers the perfect venue for addressing such issues collectively. End summary and comment.

The UAE Can Benefit From The Initiative

¶3. (C) Although the UAE is well ahead of the rest of the region in terms of economic diversity and private sector participation, the Middle East Trade Initiative could encourage the UAE's compliance with international workers' rights and protection, support workforce skills development, and the revamping/updating of the local commercial and agency laws and courts -- all of which hinder foreign investment in the UAE.

¶4. (C) UAE officials have also welcomed targeted WTO training -- especially in Trade in Services and TRIPs -- and raised the issue at the U.S.-UAE Strategic Dialogue in Washington in November. Post believes that the UAE could also benefit from training in Government Procurement and Intellectual Property Rights, specifically. A better understanding of agreements related to Customs Valuation Methods, Rules of Origin, and Standards as Non-Tariff Barriers to Trade are also critical to the UAE.

¶5. (C) The long-term presence in the Gulf of an American trade expert, who could educate the UAEG on its specific WTO obligations and explain U.S. positions in multilateral negotiations, would be a welcomed sign that we are serious about strengthening our economic ties to the UAE and the region. Given the UAE's reputation as the regional trading hub, the UAEG may offer to cover the costs of trade experts, host training sessions, and even propose a permanent regional training facility in the UAE for trade-related programs.

Approach The UAE Through The GCC

¶6. (C) The GCC is an existing free trade zone that -- although is experiencing problems with the logistics of its customs union -- is politically committed to economic integration. The USG has secured a number of agreements with the GCC in the past, including most recently the Multilateral Open Skies Agreement. This agreement began as several concurrent bilateral initiatives with individual GCC members, and morphed into a regional Open Skies Agreement with the GCC.

¶7. (C) The GCC is the best forum to discuss trade-institution building in the Gulf and the UAE's specific trade-related concerns, as well. Such an approach might also usefully address issues arising from the implementation of the GCC Customs Union in terms of WTO obligations, and standards issues. Such discussions could take place during the regular (but currently overdue) meetings of the U.S.-GCC Economic Dialogue.

Israel Will Be A Problem

18. (C) The GCC forum would also provide political cover for sensitive political decisions regarding trade with Israel. Although the UAE no longer enforces the secondary and tertiary aspects of the Arab League boycott of Israel, some government contracts continue to contain pro forma provisions requiring companies to observe the regulations of the Arab League regarding the boycott. A political decision at the highest level of the UAEG will be necessary to initiate trade ties with Israel. The UAE is unlikely to make such a decision unilaterally, and without consent of its GCC neighbors.

Albright